



County of Los Angeles CHIEF EXECUTIVE OFFICE

Kenneth Hahn Hall of Administration
500 West Temple Street, Room 713, Los Angeles, California 90012
(213) 974-1101
<http://ceo.lacounty.gov>

WILLIAM T FUJIOKA
Chief Executive Officer

April 10, 2012

Board of Supervisors
GLORIA MOLINA
First District

MARK RIDLEY-THOMAS
Second District

ZEV YAROSLAVSKY
Third District

DON KNABE
Fourth District

MICHAEL D. ANTONOVICH
Fifth District

To: Supervisor Zev Yaroslavsky, Chairman
Supervisor Gloria Molina
Supervisor Mark Ridley-Thomas
Supervisor Don Knabe
Supervisor Michael D. Antonovich

From: William T Fujioka
Chief Executive Officer

SACRAMENTO UPDATE

This memorandum contains a report on legislation of County interest relating to the dissolution of redevelopment agencies, economic development and affordable housing.

Redevelopment Related Legislation of County Interest

As previously reported, the Legislature is considering various bills to address the process dictated by ABX1 26 (Chapter 5, Statutes of 2011) to wind down the affairs of former Redevelopment Agencies (RDAs) and to introduce opportunities for local economic development and affordable housing in the absence of redevelopment. Two measures authored by Senator President pro Tem Steinberg, **SB 1151 and SB 1156**, which would create an alternative to redevelopment and develop sustainable economic development and affordable housing, were amended on March 29, 2012 to expand on the bills as originally introduced. These measures are linked to the extent that SB 1156 proposes a new joint powers authority for cities and counties to develop sustainable economic development and affordable housing that would have a primary role in the administration of the former RDA's asset management procedures proposed in SB 1151. The following provides an overview of these two bills.

SB 1151 (Steinberg)

SB 1151, as amended on March 29, 2012, would: 1) provide that the asset disposition and transfer provisions under ABX1 26 of 2011 do not apply to a jurisdiction which has formed a Community Development and Housing Joint Powers Authority (Authority) by

"To Enrich Lives Through Effective And Caring Service"

**Please Conserve Paper – This Document and Copies are Two-Sided
Intra-County Correspondence Sent Electronically Only**

August 1, 2012; 2) establish a Sustainable Economic Development and Housing Trust Fund (Trust Fund) to serve as a repository of the unencumbered balances and assets of the former RDA; 3) allow an Authority to administer the Trust Fund and expend the moneys for specified purposes relating to economic development and affordable housing; 4) require an Authority to prepare a long-range asset management plan that governs the disposition and ongoing use of the Trust Fund; and 5) require an Authority to submit the plan to the Department of Finance (DOF) for approval. SB 1151 contains the following major provisions:

Sustainable Economic Development and Housing Trust Fund

SB 1151 would establish a Sustainable Economic Development and Housing Trust Fund to serve as a repository for unencumbered balances of former RDA funds, assets and properties. Trust Fund assets would include tax revenues, other revenues and investment accounts, former redevelopment project revenues, deeds of trust and mortgages held by the former RDA, real and personal property holdings, rents, fees, charges, moneys, accounts receivable, contract rights, and other rights to payments of whatever kind or other real or personal property. The Trust Fund would also be allowed to accept revenues from any source, including tax revenues, grants and loans. In addition, the proceeds of asset sales would be retained for ongoing sustainable economic development and affordable housing activities of the Authority and would not be required to be distributed as property tax as specified under ABX1 26.

The authorized uses of the Trust Fund would include: 1) the purchase, acquisition, financing or maintenance of public or private infrastructure needed for infill development consistent with SB 375 (Chapter 728, Statutes of 2008); 2) affordable housing; 3) transitional housing needed for former inmate populations transferred to the counties under the 2011 Public Safety Realignment; 4) loans to public or private entities for development activities as defined in existing law; 5) environmental mitigation, including brownfields remediation; 6) payment of liabilities of the former RDA; 7) land acquisition; 8) clean energy and energy efficiency investments; and 9) educational, labor-management and job training programs leading to careers in high-need, high-growth or emerging regional economic sectors.

Long-Range Asset Management Plan

SB 1151 would require an Authority to prepare a long-range asset management plan (Plan) to direct the disposition of the assets of the former RDA and ongoing use of the Trust Fund. The Plan would be required to be submitted to the DOF for approval by December 1, 2012 and the DOF would be required to approve the plan or return it to the Authority for revisions prior to final approval by December 31, 2012. The Plan also

would be required to be updated annually and submitted to the DOF for approval by December 1 of each year. The DOF would be allowed to establish a Minimum Asset Distribution Requirement, as a condition of its approval to the plan submitted by an Authority, to ensure that K-14 schools and local agencies receive a minimum amount of funding from the dissolution of assets from the Redevelopment Property Tax Trust Fund pursuant to ABX1 26.

Additionally, SB 1151 would require the Plan to outline a strategy for maximizing the long-term social and monetary value of the real property and assets in the Trust Fund for the purpose of sustainable economic development and creating high-wage, high-skill jobs and affordable housing. The Plan would be required to: 1) include a specified inventory of assets in the Trust Fund including all assets identified by the county auditor-controller in the agreed-upon procedures audit of each former RDA under ABX1 26; and 2) address the use or disposition of all assets in the Trust Fund. All entities receiving financial support would be required to incorporate into any and all agreements a Jobs Plan, which would describe how the project will create construction careers that pay prevailing wages, living wage permanent jobs, and a program for community outreach, local hire and job training.

SB 1156 (Steinberg)

SB 1156, as amended on March 29, 2012, would:

- Authorize a city and county representing the area served by a former RDA to elect to form a Community Development and Housing Joint Powers Authority (Authority);
- Allow an Authority to adopt a redevelopment plan for a project area covering specified areas and sites;
- Allow an Authority to include a provision in a redevelopment plan to provide for tax increment financing, provided that certain mitigation and land use plans have been adopted;
- Retain the Low and Moderate Income Housing Fund of a former RDA in the Sustainable Economic Development and Housing Trust Fund;
- Allow an Authority to implement a local sales tax, subject to voter approval; and

- Allow a State or local public pension fund system, as defined, or an independent system to invest capital in the public infrastructure projects and private commercial and residential developments undertaken by an Authority.

The following is an outline of the major provisions in SB 1156:

Community Development and Housing Joint Powers Authority

SB 1156 would define an Authority to mean a joint exercise of powers agency formed under existing law and would:

- After July 1, 2012, allow an Authority to be formed by a city and county covering the territory of the former RDA to carry out the provisions of the Community Redevelopment Law (CRL). If the former RDA was formed by a county alone, the county may create an Authority.
- Allow an Authority to adopt a redevelopment plan for a project area with no determination requirement for blight and no actions required to eliminate blight. A redevelopment plan would terminate no later than 30 years from the date of first issuance of bond indebtedness.
- Allow an Authority to issue bonds paid for with Authority proceeds, which would be deemed special funds, and require it to approve any bond financing under CRL.

Approval of Redevelopment Project Areas

SB 1156 would require a project area adopted by an Authority in a redevelopment plan to include only:

- Areas within geographic boundaries of a Metropolitan Planning Organization (MPO) where a sustainable communities strategy has been adopted by the MPO and the State Air Resources Board has, pursuant to existing law, accepted the MPO's determination that the sustainable communities strategy would achieve the greenhouse gas emission reduction targets for: a) transit priority areas, which may include a specified military base reuse plan and a contaminated site within a transit priority area; and b) small walkable communities; and
- Sites that have land use approvals, covenants, conditions and restrictions or other effective controls restricting the site to clean energy manufacturing and

sites that are consistent with the sustainable communities strategy, if those sites are within the geographic boundaries of a MPO.

Existing Federal law defines a MPO as a forum for cooperative transportation decision-making and requires that any urbanized area with population of at least 50,000 be governed by a MPO. Eighteen MPOs are designated in California. The jurisdictions of MPOs varies widely throughout the State and in some cases, multiple counties that are seen as part of the same metropolitan region are grouped under a single MPO. The Southern California Associations of Governments (SCAG) functions as the MPO for six counties including Los Angeles, Orange, San Bernardino, Riverside, Ventura and Imperial. SCAG is mandated by Federal and State law to research and draw up plans for transportation, growth management, hazardous waste management and air quality.

Reestablishment of Tax Increment Financing

SB 1156 would allow an adopted redevelopment plan to include a provision for the receipt for tax increment funds pursuant to existing law, provided that the local government with land use jurisdiction has adopted:

- A school mitigation plan to offset losses of property tax revenue serving the project area approved by the fiscally affected school districts or the DOF, as specified;
- An analysis of the public service costs and revenue generating impact of new development with respect to the provision of basic public services such as police, fire and rescue services, including a strategy for mitigating unfunded service impacts;
- A provision requiring that 20 percent of housing be affordable to persons of low and moderate income; and
- For transit priority areas, would require the Authority to obtain the MPO's concurrence that the plan is consistent with requirements and policies, as specified, for the project area in the sustainable communities strategy.

Low and Moderate Income Housing Funds

SB 1156 would require that the Low and Moderate Income Fund of a former RDA to be retained in the Sustainable Economic Development and Housing Trust Fund for uses authorized in existing law.

Each Supervisor
April 10, 2012
Page 6

Low and Moderate Income Funds not contracted for use within five years would be transferred to an agency designated by the Governor for use as grants to the Authority for housing affordable to low and moderate income households, and any granted funds expended by an Authority for affordable housing would be a credit against the 20 percent set aside required under existing law.

Public Pension Investment in Projects and Developments

SB 1156 would allow a State or local public pension fund system authorized by State or local charter, respectively, including the Public Employees' Retirement System, the State Teachers' Retirement System, a system established under County Retirement Law of 1937, or an independent system, to invest capital in the public infrastructure projects and private commercial and residential developments undertaken by an Authority.

Implementation of Local Sales Tax

SB 1156 would allow an Authority to implement a local sales tax, subject to voter approval, as specified, except that the resolution authorizing the tax may designate the use of the proceeds of the tax.

Bill Status

SB 1151 and SB 1156 are both scheduled for a hearing in Senate Governance and Finance Committee on April 18, 2012. There is no registered support or opposition on file for either of these measures.

There are no specific policies to take a position on these measures; however, this office is working with affected departments to determine potential County impact and make recommendations to your Board.

We will continue to keep you advised.

WTF:RA
MR:IGEA:sb

c: All Department Heads
Legislative Strategist